



Dave Yost · Auditor of State



**BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Bay Village City School District  
Cuyahoga County  
377 Dover Center Road  
Bay Village, Ohio 44140

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay Village City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay Village City School District, Cuyahoga County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Bay Village City School District  
Cuyahoga County  
Independent Accountants' Report  
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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 25, 2013

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

The discussion and analysis of Bay Village City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net assets increased by \$ 2,411,527.
- Revenues for governmental activities totaled \$ 34,474,487 in 2012. Of this total, 88.5 percent consisted of General revenues while Program revenues accounted for the balance of 11.5 percent.
- Program expenses totaled \$ 32,062,960. Instructional expenses made up 52.6 percent of this total while support services accounted for 34.3 percent. Other expenses rounded out the remaining 13.1 percent.
- Outstanding general obligation bonded debt decreased to \$ 13,871,747 from \$ 14,571,384 in 2012.

### **Reporting the School District as a Whole**

#### **Statement of Net Assets and the Statement of Activities**

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure. In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional, extracurricular activities and interest.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Debt Service Fund.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

***Governmental Funds***

All of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provided a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

**TABLE 1**  
**NET ASSETS**  
**GOVERNMENTAL ACTIVITIES**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current and other assets	\$ 37,873,551	\$ 35,519,673
Capital assets, net	<u>27,888,311</u>	<u>28,046,946</u>
<b>Total assets</b>	<u>65,761,862</u>	<u>63,566,619</u>
 <b>Liabilities</b>		
Current liabilities and other liabilities	24,944,155	24,223,673
Long term liabilities		
Due within one year	1,462,834	1,397,811
Due in more than one year	<u>17,826,285</u>	<u>18,828,074</u>
<b>Total liabilities</b>	<u>44,233,274</u>	<u>44,449,558</u>
 <b>Net assets</b>		
Invested in capital assets, net of related debt	12,191,511	11,405,006
Restricted	3,992,220	4,383,574
Unrestricted	<u>5,344,857</u>	<u>3,328,481</u>
<b>Total net assets</b>	<u>\$ 21,528,588</u>	<u>\$ 19,117,061</u>

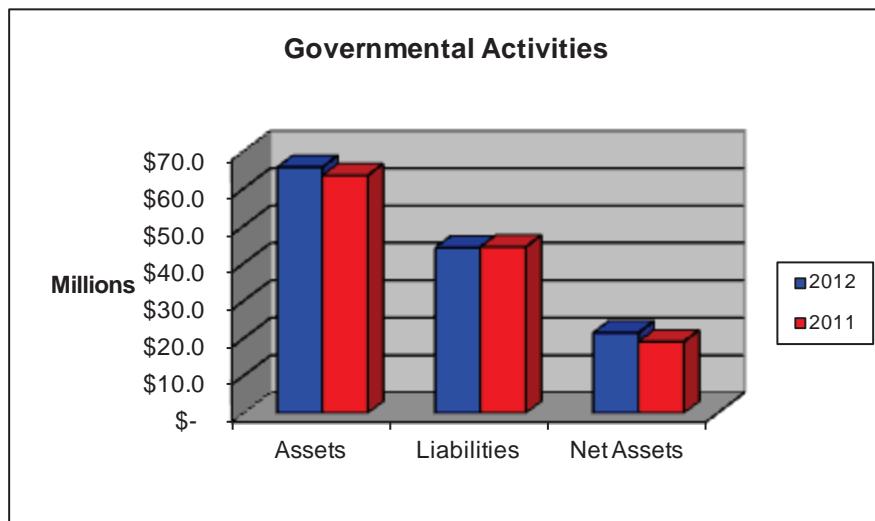
BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

**Graph #1**  
Net Assets (Governmental Activities)  
(in millions)

	2012	2011
Assets	\$ 65.7	\$ 63.5
Liabilities	44.2	44.4
Net Assets	<u>\$ 21.5</u>	<u>\$ 19.1</u>



Total assets increased by \$ 2,195,243. The most significant asset change was an increase in equity in pooled cash of \$ 2,254,787 with a decrease in capital assets of \$ 158,635.

Total liabilities decreased by \$ 216,284. The liabilities had significant decreases in the accounts and contracts payable of \$ 105,936, due to other governments of \$ 202,135, and long term liabilities of \$ 936,766. The most noteworthy increase was in deferred revenue of \$ 1,040,193.

The vast majority of revenue supporting all Governmental activities is general revenue. General revenue totaled \$ 30,499,378 or 88.5 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 3,975,109 or 11.5 percent of total revenue.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

**Table 2**  
Governmental Activities

	2012	2011
<b>Revenues</b>		
Program Revenue		
Charges for services and sales	\$ 2,407,850	\$ 2,345,075
Operating grants, interest and contributions	1,535,546	1,905,728
Capital grants and contributions	<u>31,713</u>	10,000
Total program revenue	<u>3,975,109</u>	<u>4,260,803</u>
General revenue		
Property taxes	22,475,956	22,800,930
Grants and entitlements not restricted for specific purposes	7,619,093	7,676,990
Investment earnings	188,484	180,376
Miscellaneous	<u>215,845</u>	<u>318,644</u>
Total general revenues	<u>30,499,378</u>	<u>30,976,940</u>
Total revenues	<u>34,474,487</u>	<u>35,237,743</u>
<b>Program expenses</b>		
Instruction		
Regular	13,318,572	13,596,606
Special	2,171,041	2,250,471
Vocational	359,480	346,912
Other instruction	1,029,457	873,032
Supporting services		
Pupil	3,039,029	2,939,501
Instructional staff	801,442	919,671
Board of education	29,549	27,524
Administration	2,261,116	2,380,342
Fiscal services	760,369	836,510
Business	393,565	391,247
Operation and maintenance	2,505,423	2,577,116
Pupil transportation	812,111	1,139,420
Central services	388,378	455,473
Operation of non-instructional		
Food service operation	847,170	805,309
Community services	578,834	589,501
Day care operations	857,685	850,693
Extracurricular activities		
Academic	160,262	109,695
Sports	797,225	836,424
Co-curricular	187,300	235,164
Interest	<u>764,952</u>	<u>1,399,745</u>
	<u>32,062,960</u>	<u>33,560,356</u>
Change in net assets	<u>\$ 2,411,527</u>	<u>\$ 1,677,387</u>

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

**Governmental Activities**

The School District is a high performing District that has had excellent support from the community. In November 2010, the community approved a 6.9 mill levy on the first attempt which generated approximately 3.4 million dollars annually. The School District is committed to limit future expenditure amounts in the 3% to 4% annual range.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

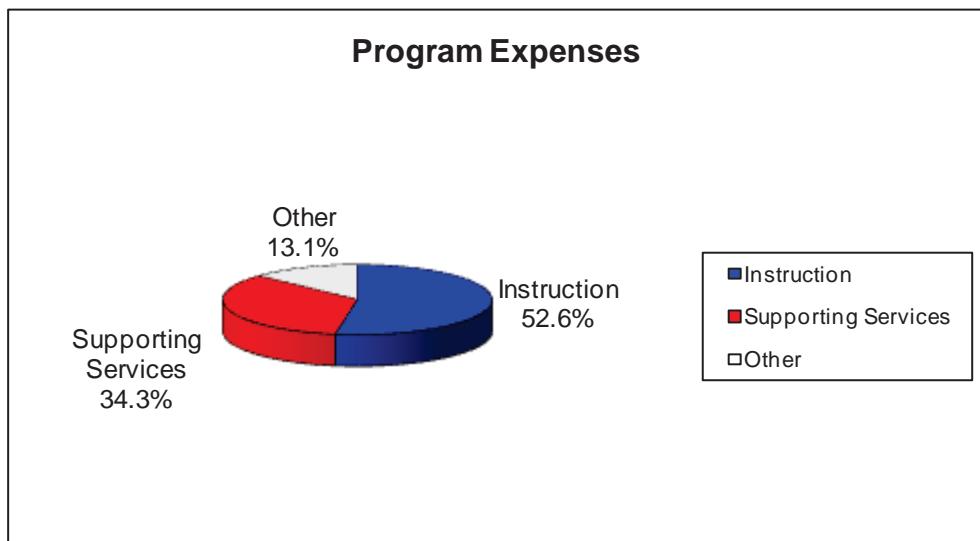
As one can see, approximately 52.6 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 34.3 percent. The remaining amount of program expenses, roughly 13.1 percent, is budgeted to facilitate other obligations of the School District such as interest and numerous extracurricular activities.

Actual expenses were consistent with annual budget expectations and the School District exhibited an increase in net assets in 2012 of \$ 2,411,527.

The Statement of Activities shows the total net cost of program services. Table 3 on the following page shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements, investment earnings and miscellaneous income.

**Graph #2**  
Program Expenses  
(in millions)

Instruction	\$	16.9
Supporting Services		11.0
Other		4.2
Total	\$	<u>32.1</u>



BAY VILLAGE CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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**Table 3**  
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012
Governmental activities		
Instruction		
Regular	\$ 13,318,572	\$ (12,982,631)
Special	2,171,041	(2,107,886)
Vocational	359,480	(359,480)
Other instruction	1,029,457	(1,029,457)
Supporting services		
Pupil	3,039,029	(2,454,001)
Instructional staff	801,442	(797,600)
Board of education	29,549	(29,549)
Administration	2,261,116	(2,148,205)
Fiscal services	760,369	(760,369)
Business	393,565	(393,565)
Operation and maintenance	2,505,423	(2,488,223)
Pupil transportation	812,111	(812,111)
Central services	388,378	(388,378)
Operation of non-instructional		
Food service operation	847,170	(12,323)
Community services	578,834	34,712
Day care operations	857,685	37,475
Extracurricular activities		
Academic	160,262	(128,664)
Sports	797,225	(442,082)
Co-curricular	187,300	(60,562)
Interest	764,952	(764,952)
Totals	<u>\$ 32,062,960</u>	<u>\$ (28,087,851)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 65.2 percent of revenues comes from local property taxes. Grant and entitlements not restricted to specific programs make up 22.2 percent of revenue, while investment and other miscellaneous type revenues make up 1.1 percent. Program revenues only account for 11.5 percent of all governmental revenues.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

Clearly, the Bay Village community is by far the greatest source of financial support for the students of the Bay Village City Schools.

### School District's Funds

Information regarding the School District's major funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 34,658,070 and expenditures of \$ 32,834,011. The net change in fund balance for the year was \$ 1,824,059.

### General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the General Fund.

The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenses but provide flexibility for site-based decision and management.

For the General Fund, the original and final budget basis revenue estimates totaled \$ 28,349,353; this was less than the actual amount of \$ 29,870,475 by \$ 1,521,122. The main difference between the budget estimates and actual was due to a conservative estimate for property tax receipts and intergovernmental revenue. The budget basis expense estimate totaled \$ 29,515,437 which was less than the actual expenditure amount of \$ 28,820,135 by \$ 695,302. This difference was primarily due to changes in staffing costs throughout the year.

The General Fund unencumbered ending cash balance totaled \$ 7,435,566 which was above the original and final budgeted amounts.

### Capital Assets and Debt Administration

#### Capital Assets

At the end of fiscal year 2012, the School District had \$ 27,888,311 invested in land, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. Table 4 shows fiscal 2012 values compared to 2011.

**Table 4**  
Capital Assets at June 30  
Governmental Activities

	2012	2011
Land	\$ 617,400	\$ 617,400
Construction in process	200,117	-
Buildings and improvements	26,429,616	26,855,447
Furniture and equipment	395,078	263,461
Vehicles	246,100	310,638
Total capital assets	<u><u>\$ 27,888,311</u></u>	<u><u>\$ 28,046,946</u></u>

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

All capital assets, except land, are reported net of depreciation. As one can see, capital assets decreased during the fiscal year which was the result of more depreciation taken on the assets compared to the purchase of new assets. For additional capital assets information, see Note 6 of the notes to the basic financial statements.

**Debt**

At June 30, 2012, the School District had \$ 13,871,747 in bonds outstanding. Table 5 summarizes the School District's bonds outstanding.

**Table 5**  
Long Term Bonds at June 30  
Governmental Activities

	2012	2011
School improvement refunding bonds 2006		
4.0% matures 2025	\$ 12,740,000	\$ 13,540,000
School improvement capital appreciation bonds		
and accretion interest 2006, 12.69%, 2013, 2014 maturity	<u>1,131,747</u>	<u>1,031,384</u>
Total bonds	<u><u>\$ 13,871,747</u></u>	<u><u>\$ 14,571,384</u></u>

Outstanding bonds consist of general obligation bonds for building issues. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the District. General obligation bonds will be paid from the Debt Service Fund from property taxes.

Other obligations include certificates of participation and compensated absences. For additional debt obligation information see Note 12 of the notes to the basic financial statements.

**School District Outlook**

Bay Village City School's current financial condition is excellent. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The School District ranks among the top schools in Ohio for educational excellence.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as legislators at the State level continue to explore a more equitable funding system.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

UNAUDITED

Although the School District relies heavily on its property taxpayers to support its operations, the community support of the schools is quite strong. The Bay Village voters passed an incremental tax levy for 5.5 mills in November 2003 which helps fund the general operations and permanent improvements of the School District. In November 2006, the District passed a 5.75 mill operating levy for the purpose of current expenses. As recent as November 2010, the District passed a 6.9 mill levy for the purpose of current expenses. The five year forecast reflects a balance over \$2,000,000 entering the 2016 fiscal year. The School District has communicated to the community they rely upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its additional financial support toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court, again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not "equitable" nor "adequate". The court directed the Governor and the legislature to address the fundamental issue creating the inequities. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

In summary, the Bay Village City School District has committed itself to financial and educational excellence for many years to come.

**Contacting the School District's Financial Management**

This financial report is designated to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Deborah Putnam, Treasurer/Director of Fiscal Services, Bay Village City School District, 377 Dover Center Road, Bay Village, Ohio 44140.

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BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 13,082,857
Accounts receivable	2,445
Due from other governments	15,441
Inventories and supplies	39,500
Prepaid expenses	2,755
Taxes receivable	24,572,450
Deferred charges	158,103
Capital assets	
Nondepreciable capital assets	817,517
Depreciable capital assets, net	<u>27,070,794</u>
Total assets	<u>65,761,862</u>
 <b>Liabilities</b>	
Accounts and contracts payable	281,701
Accrued salaries, wages and benefits	2,581,327
Due to other governments	679,060
Accrued interest payable	51,814
Unearned revenue	20,828,437
Unamortized bond premium	521,816
Long term liabilities	
Due within one year	1,462,834
Due in more than one year	<u>17,826,285</u>
Total liabilities	<u>44,233,274</u>
 <b>Net assets</b>	
Invested in capital assets, net of related debt	12,191,511
Restricted for:	
Capital projects	26,362
Debt service	3,562,241
State grants	227,805
Federal grants	1,922
Other purposes	173,890
Unrestricted	<u>5,344,857</u>
Total net assets	<u>\$ 21,528,588</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions			
Governmental activities						
Instruction						
Regular	\$ 13,318,572	\$ 255,941	\$ 80,000	\$ -	\$ (12,982,631)	
Special	2,171,041	-	63,155	-	(2,107,886)	
Vocational	359,480	-	-	-	(359,480)	
Other instruction	1,029,457	-	-	-	(1,029,457)	
Supporting services						
Pupil	3,039,029	54,509	530,519	-	(2,454,001)	
Instructional staff	801,442	-	3,842	-	(797,600)	
Board of education	29,549	-	-	-	(29,549)	
Administration	2,261,116	-	112,911	-	(2,148,205)	
Fiscal services	760,369	-	-	-	(760,369)	
Business	393,565	-	-	-	(393,565)	
Operation and maintenance	2,505,423	-	-	17,200	(2,488,223)	
Pupil transportation	812,111	-	-	-	(812,111)	
Central services	388,378	-	-	-	(388,378)	
Operation of non-instructional						
Food service operation	847,170	692,742	142,105	-	(12,323)	
Community services	578,834	-	599,033	14,513	34,712	
Day care operations	857,685	891,179	3,981	-	37,475	
Extracurricular activities						
Academic	160,262	31,598	-	-	(128,664)	
Sports	797,225	355,143	-	-	(442,082)	
Co-curricular	187,300	126,738	-	-	(60,562)	
Interest	764,952	-	-	-	(764,952)	
Totals	\$ 32,062,960	\$ 2,407,850	\$ 1,535,546	\$ 31,713	\$ (28,087,851)	

General revenues

Property taxes levied for:

General purpose	21,240,259
Debt service	1,235,697
Grants and entitlements not restricted to specific purposes	7,619,093
Investment earnings	188,484
Miscellaneous	215,845
Total general revenues	30,499,378

Change in net assets

Net assets at beginning of year	2,411,527
Net assets at end of year	19,117,061
	\$ 21,528,588

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

BALANCE SHEET –  
GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ 9,267,100	\$ 3,085,899	\$ 729,858	\$ 13,082,857
Receivables, net of allowance				
Taxes	23,228,790	1,343,660	-	24,572,450
Accounts and other	2,445	-	-	2,445
Due from other governments	-	-	15,441	15,441
Interfund receivable	12,409	267,000	-	279,409
Inventories and supplies	25,772	-	13,728	39,500
Prepaid expenses	2,755	-	-	2,755
<b>Total assets</b>	<b>\$ 32,539,271</b>	<b>\$ 4,696,559</b>	<b>\$ 759,027</b>	<b>\$ 37,994,857</b>
Liabilities and fund balances				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 179,357	\$ -	\$ 102,344	\$ 281,701
Accrued wages and benefits	2,538,508	-	42,819	2,581,327
Due to other governments	660,492	-	18,568	679,060
Interfund payable	-	-	279,409	279,409
Deferred revenue	20,401,148	1,177,091	20,850	21,599,089
Compensated absences payable	161,941	-	82,127	244,068
<b>Total liabilities</b>	<b>23,941,446</b>	<b>1,177,091</b>	<b>546,117</b>	<b>25,664,654</b>
Fund balances				
Nonspendable	28,527	-	13,728	42,255
Restricted	70,491	3,519,468	417,019	4,006,978
Assigned	1,546,549	-	-	1,546,549
Unassigned (deficit)	6,952,258	-	(217,837)	6,734,421
<b>Total fund balances</b>	<b>8,597,825</b>	<b>3,519,468</b>	<b>212,910</b>	<b>12,330,203</b>
<b>Total liabilities and fund balances</b>	<b>\$ 32,539,271</b>	<b>\$ 4,696,559</b>	<b>\$ 759,027</b>	<b>\$ 37,994,857</b>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2012

Total governmental funds balances	\$ 12,330,203
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	27,888,311
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and deferred charges.	928,755
Long term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(3,443,304)
Bonds payable	(13,871,747)
Certificates of Participation	(1,730,000)
Unamortized bond premium	(521,816)
Accrued interest payable	<u>(51,814)</u>
Net assets of governmental activities	<u>\$ 21,528,588</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 21,451,386	\$ 1,248,293	\$ -	\$ 22,699,679
Tuition and fees	1,147,022	-	-	1,147,022
Interest	134,954	12,460	930	148,344
Intergovernmental	7,442,038	205,541	1,538,773	9,186,352
Charges for services	-	-	682,021	682,021
Extracurricular	215,056	-	141,212	356,268
Other	367,051	-	71,333	438,384
Total revenues	<u>30,757,507</u>	<u>1,466,294</u>	<u>2,434,269</u>	<u>34,658,070</u>
Expenditures				
Current				
Instruction				
Regular	12,873,332	-	78,467	12,951,799
Special	2,086,777	-	64,719	2,151,496
Vocational	353,679	-	-	353,679
Other instruction	1,029,457	-	-	1,029,457
Supporting services				
Pupil	2,304,771	-	544,252	2,849,023
Instructional staff	804,061	-	2,289	806,350
Board of education	29,549	-	-	29,549
Administration	2,008,814	-	161,346	2,170,160
Fiscal services	762,237	-	10,138	772,375
Business	393,580	-	-	393,580
Operation and maintenance	2,711,591	-	115,985	2,827,576
Pupil transportation	755,761	-	-	755,761
Central services	387,270	-	-	387,270
Operation of non-instructional				
Food service operation	-	-	830,928	830,928
Community services	64,689	-	615,369	680,058
Day care operations	857,126	-	-	857,126
Extracurricular activities				
Academic and subject oriented	304,575	-	42,987	347,562
Sports oriented	600,277	-	130,694	730,971
Capital outlay	245,509	-	102,715	348,224
Debt service				
Principal	105,000	800,000	-	905,000
Interest	85,463	558,144	12,460	656,067
Total expenditures	<u>28,763,518</u>	<u>1,358,144</u>	<u>2,712,349</u>	<u>32,834,011</u>
Excess (deficiency) of revenues over expenditures	<u>1,993,989</u>	<u>108,150</u>	<u>(278,080)</u>	<u>1,824,059</u>
Other financing sources (uses)				
Transfers-in	30,014	-	60,541	90,555
Transfers-out	(60,541)	-	(30,014)	(90,555)
Total other financing sources (uses)	<u>(30,527)</u>	<u>-</u>	<u>30,527</u>	<u>-</u>
Net change in fund balances	1,963,462	108,150	(247,553)	1,824,059
Fund balances, beginning of year	6,634,363	3,411,318	460,463	10,506,144
Fund balances, end of year	<u>\$ 8,597,825</u>	<u>\$ 3,519,468</u>	<u>\$ 212,910</u>	<u>\$ 12,330,203</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$ 1,824,059
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 794,606
Depreciation expense	(953,241)
Total	(158,635)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(223,723)
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In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	(68,745)
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The issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the treatment of long-term debt and related items.	905,000
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Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	133,571
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Change in net assets of governmental activities	\$ 2,411,527
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BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance w ith Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 22,148,839	\$ 21,675,000	\$ 22,090,225	\$ 415,225
Tuition and fees	13,447	24,000	78,882	54,882
Interest	66,113	118,000	124,399	6,399
Intergovernmental	6,051,479	6,408,353	7,438,057	1,029,704
Other	69,475	124,000	108,898	(15,102)
Total revenues	<u>28,349,353</u>	<u>28,349,353</u>	<u>29,840,461</u>	<u>1,491,108</u>
Expenditures				
Current				
Instruction				
Regular	12,930,419	12,809,318	12,740,467	68,851
Special	1,942,259	2,094,259	2,085,054	9,205
Vocational	320,415	353,915	349,173	4,742
Other instruction	1,078,756	1,051,256	1,044,442	6,814
Supporting services				
Pupil	2,321,506	2,335,207	2,324,477	10,730
Instructional staff	998,041	851,541	782,349	69,192
Board of education	30,537	30,537	29,865	672
Administration	2,184,198	2,066,589	1,946,200	120,389
Fiscal services	637,748	773,348	767,342	6,006
Business	383,000	405,000	402,295	2,705
Operation and maintenance	3,091,593	3,057,593	2,855,683	201,910
Pupil transportation	952,600	986,599	896,713	89,886
Central services	563,797	513,797	490,814	22,983
Operation of non-instructional				
Community services	48,079	48,579	40,813	7,766
Extracurricular activities				
Academic and subject oriented	353,850	253,850	207,304	46,546
Sports oriented	400,812	500,812	478,932	21,880
Capital outlay	750,304	1,119,405	1,114,800	4,605
Debt service				
Principal	149,500	149,500	149,500	-
Interest	97,923	97,923	97,923	-
Total expenditures	<u>29,235,337</u>	<u>29,499,028</u>	<u>28,804,146</u>	<u>694,882</u>
Excess (deficiency) of revenues over expenditures	<u>(885,984)</u>	<u>(1,149,675)</u>	<u>1,036,315</u>	<u>2,185,990</u>
Other financing sources (uses)				
Transfers-in	-	-	30,014	30,014
Contingencies	(280,101)	-	-	-
Advances-out	-	(12,409)	(12,409)	-
Transfers-out	-	(4,000)	(3,580)	420
Total other financing sources (uses)	<u>(280,101)</u>	<u>(16,409)</u>	<u>14,025</u>	<u>30,434</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(1,166,085)</u>	<u>(1,166,084)</u>	<u>1,050,340</u>	<u>2,216,424</u>
Fund balance, beginning of year	5,801,121	5,801,121	5,801,121	-
Prior year encumbrances	584,105	584,105	584,105	-
Fund balance, end of year	<u>\$ 5,219,141</u>	<u>\$ 5,219,142</u>	<u>\$ 7,435,566</u>	<u>\$ 2,216,424</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS

JUNE 30, 2012

	Private Purpose Trust	
	Scholarship Fund	Agency Funds
<b>Assets</b>		
Equity in pooled cash	\$ 28,889	\$ 132,986
Interest receivable	72	-
<b>Total assets</b>	<b><u>28,961</u></b>	<b><u>132,986</u></b>
<b>Liabilities</b>		
Accounts payable	-	1,368
Due to others	-	30,337
Due to students	-	101,281
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>\$ 132,986</u></b>
<b>Net assets</b>		
Held in trust for scholarships	<u>\$ 28,961</u>	

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
PRIVATE PURPOSE TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Scholarship Fund
Additions	
Interest	\$      131
Deductions	<u>105</u>
Change in net assets	26
Net assets, beginning of year	<u>28,935</u>
Net assets, end of year	<u>\$      28,961</u>

See the accompanying notes to the basic financial statements.

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BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Bay Village City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2011 was 2,586. The District employs 209 certificated and 181 non-certificated employees.

REPORTING ENTITY

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Within the District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and, 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organization's resources; 3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with the Lake Erie Educational Computer Association, the Suburban Health Consortium, the Bay Village Education Foundation, and the Ohio Schools Council, which are considered to be jointly governed organizations. The District participates in a public risk pool managed by the Ohio Schools Boards Association Workers' Compensation Group Rating Program. The District also has a joint operating agreement with the City of Bay Village for constructing, equipping and furnishing a community gymnasium. These organizations and their relationships with the District are described in more detail in Note 14 and 15 to these basic financial statements.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. BASIS OF PRESENTATION**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, interest earned on grants that is required to be used to support a particular program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**C. FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. FUND ACCOUNTING (continued)**

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

**General Fund** - the general fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

**Debt Service Fund** – the debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust fund which accounts for scholarship monies. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and unclaimed monies.

**D. MEASUREMENT FOCUS**

**Government-Wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The Statement of Activities presents increases (revenues) and decreases (expenses) in the total net assets.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**F. BUDGETARY PROCESS**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund, function and object level for the General Fund, and fund/special cost center for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**G. CASH AND INVESTMENTS**

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$ 134,954 of which \$ 27,902 was credited from other funds. During fiscal year 2012, investments were limited to STAR Ohio and money markets.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. INVENTORY**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**I. RESTRICTED ASSETS**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

**J. PREPAID EXPENSE**

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the period amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**K. CAPITAL ASSETS**

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$ 5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in process, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land improvements	10 - 50 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 years

**L. INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net assets.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. COMPENSATED ABSENCES**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**N. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes and capital leases are recognized as a liability on the governmental fund financial statements when due.

**O. NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports \$ 3,992,220 of restricted net assets, of which \$ 3,562,241 is restricted by enabling legislation. Net assets restricted for other purposes include other grants and rotary funds.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**P. FUND BALANCE**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCE (continued)

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Q. INTERFUND TRANSACTIONS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Some funds are included in the general fund (GAAP basis), but have a separate legally adopted budget (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 1,050,340
Adjustments, increase (decrease)	
Revenue accruals	(640,646)
Expenditure accruals	260,025
Encumbrances	1,170,007
Funds budgeted separately	123,736
GAAP basis, as reported	<u><u>\$ 1,963,462</u></u>

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$ 1,270 in cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash."

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$ 161,201 and the bank balance was \$ 331,699. Of the bank balance, \$ 331,699 was covered by federal depository insurance. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

The District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2012, the District had the following investments:

	Maturities	Fair Value
Investment in State Treasurer's Investment Pool	0.145	\$ 449,764
Money Market Investment	n/a	9,637,372
Commercial paper	8/20/12 -11/13/12	2,995,125
		<u>\$ 13,082,261</u>

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

**D. INTEREST RATE RISK**

The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

**E. CREDIT RISK**

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2012, the District's investments in STAR Ohio were rated AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**F. CONCENTRATION OF CREDIT RISK**

The District places no limit on the amount that may be invested in any one issuer. The District's allocation as of June 30, 2012 was 3.4 percent invested in STAR Ohio and 96.6 percent invested in money markets.

NOTE 4 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2012 were levied after April 1, 2011, on the assessed values as of December 31, 2010, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however this year the settlement was late.

The District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012 are available to finance fiscal year 2012/2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2012 operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2012, was \$ 2,834,697 in the General Fund and \$ 166,569 in the Debt Service Fund. The amount available as an advance at June 30, 2011, was \$ 3,473,536 in the General Fund and \$ 211,522 in the Debt Service Fund. The difference was in the timing and collection by the County Auditor.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis this revenue has been deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	%	Amount	%
Agricultural/Residential and Other Real Estate	\$ 492,775,020	98.86	% \$ 490,894,290	98.70 %
Public Utilities	5,677,590	1.14	6,461,640	1.30
Total Assessed Value	\$ 498,452,610	100.00	% \$ 497,355,930	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 108.05		\$ 107.95	

NOTE 5 - RECEIVABLES

Receivables at June 30, 2012, consisted of taxes, accounts and other, and interfund. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2012</u>
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 617,400	\$ -	\$ -	\$ 617,400
Construction in progress	- <u>617,400</u>	200,117 <u>200,117</u>	- <u>-</u>	200,117 <u>817,517</u>
Depreciable capital assets				
Buildings and improvements	39,787,516	375,840	- <u>-</u>	40,163,356
Furniture and equipment	1,201,412	218,649	- <u>-</u>	1,420,061
Vehicles	1,344,714	- <u>-</u>	- <u>-</u>	1,344,714
Total capital assets being depreciated	<u>42,333,642</u>	<u>594,489</u>	<u>-</u>	<u>42,928,131</u>
Less accumulated depreciation				
Buildings and improvements	12,932,069	801,671	- <u>-</u>	13,733,740
Furniture and equipment	937,951	87,032	- <u>-</u>	1,024,983
Vehicles	1,034,076	64,538	- <u>-</u>	1,098,614
Total accumulated depreciation	<u>14,904,096</u>	<u>953,241</u>	<u>-</u>	<u>15,857,337</u>
Depreciable capital assets, net of accumulated depreciation	<u>27,429,546</u>	<u>(358,752)</u>	<u>-</u>	<u>27,070,794</u>
Governmental activities capital assets, net	<u>\$ 28,046,946</u>	<u>\$ (158,635)</u>	<u>\$ -</u>	<u>\$ 27,888,311</u>

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$ 408,334	
Special	37,428	
Vocational	651	
Supporting services		
Pupil	158,609	
Instructional staff	35,000	
Administration	45,961	
Fiscal services	2,571	
Business	2,115	
Operation and maintenance	113,277	
Pupil transportation	50,575	
Central services	1,321	
Operation of non-instructional services		
Food service operation	16,152	
Community services	15,141	
Extracurricular activities		
Sports oriented	66,106	
Total depreciation expense	<u>\$ 953,241</u>	

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 7 - INTERFUND ASSETS/LIABILITIES**

On the fund financial statements at June 30, 2012, interfund balances consisted of the following:

Fund	Receivable	Payable
General Fund	\$ 12,409	\$ -
Debt Service Fund	267,000	-
Non-major Funds:		
Title I	-	12,409
Capital Projects	-	267,000
Total	<u>\$ 279,409</u>	<u>\$ 279,409</u>

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. The \$ 267,000 interfund transaction between the Debt Service Fund and Capital Projects Fund is a manuscript bond. The manuscript bond is not expected to be repaid in one year.

**NOTE 8 – FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 2,755	\$ -	\$ -	\$ 2,755
Inventory	<u>25,772</u>	<u>-</u>	<u>13,728</u>	<u>39,500</u>
Total nonspendable	<u>28,527</u>	<u>-</u>	<u>13,728</u>	<u>42,255</u>
Restricted for				
Uniform supplies	70,491	-	-	70,491
Debt service	-	3,519,468	-	3,519,468
Community gym	-	-	26,362	26,362
Food service	-	-	130,199	130,199
Other grants	-	-	4,163	4,163
Athletics	-	-	26,568	26,568
State grants	-	-	227,805	227,805
Federal grants	-	-	1,922	1,922
Total restricted	<u>70,491</u>	<u>3,519,468</u>	<u>417,019</u>	<u>4,006,978</u>
Assigned				
Encumbrances	1,045,261	-	-	1,045,261
Other purposes	<u>501,288</u>	<u>-</u>	<u>-</u>	<u>501,288</u>
	<u>1,546,549</u>	<u>-</u>	<u>-</u>	<u>1,546,549</u>
Unassigned (deficit)	<u>6,952,258</u>	<u>-</u>	<u>(217,837)</u>	<u>6,734,421</u>
Total fund balance	<u>\$ 8,597,825</u>	<u>\$ 3,519,468</u>	<u>\$ 212,910</u>	<u>\$ 12,330,203</u>

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the District contracted with the following companies:

Company	Type of Coverage	Amount	Deductible
Ohio Casualty	Building and contents at replacement value	\$ 76,671,356	\$ 2,500
	Inland Marine	2,158,216	3,000
	Boiler & Machinery at replacement value	-	2,500
	General liability		
	each occurrence	1,000,000	N/A
	personal injury	1,000,000	N/A
	general aggregate	2,000,000	N/A
	Automotive liability	1,000,000	N/A
	Uninsured motorist	500,000	N/A
	Errors and omissions	1,000,000	2,500

Settled claims have not exceeded this commercial coverage in any of the past three years. During the current fiscal year, the District contracted with Indiana Insurance for all of its insurance. There has not been a significant reduction in insurance coverage from the previous year.

B. WORKERS' COMPENSATION

The District participated in the Ohio School Boards Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

C. EMPLOYEE MEDICAL BENEFITS

The District offers a board paid employee assistance program and a wellness program that focuses on physical wellness as well as mental and emotional well being.

The District participates in the Suburban Health Consortium (the Consortium), a shared risk pool (Note 14), to provide group health, life, dental and/or other insurance coverages. Consortium Member premium rates are set or determined by the Board of Directors. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each Consortium Member may require contributions from its employees toward the cost of any benefit program being offered by the Consortium Member, and such contributions shall be included in the payments from such Consortium premium to the Consortium. Because the District is a member of the Consortium and the Consortium holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

BAY VILLAGE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) if the system. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$ 699,964, \$ 561,270, and \$ 369,021, respectively; 87 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

BAY VILLAGE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$ 1,829,663 \$ 1,529,558, and \$ 1,696,724, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$ 99.90 for most participants, but could be as high as \$ 319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is 0.75 percent. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$ 37,998, \$ 36,119, and \$ 37,830, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$ 169,304, \$ 164,574, and \$ 327,845, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$ 140,743, \$ 143,111, and \$ 141,393, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Outstanding June 30, 2011	Additions	Retired	Outstanding June 30, 2012	Amounts Due In One Year
School improvement refunding bond 2006 4.0%, matures 2025	\$ 13,540,000	\$ -	\$ 800,000	\$ 12,740,000	\$ 845,000
Capital appreciation bonds 2006 12.69%, matures 2013, 2014	704,984	-	-	704,984	-
Accretion interest	326,400	100,363	-	426,763	-
Total bonds	<u>14,571,384</u>	<u>100,363</u>	<u>800,000</u>	<u>13,871,747</u>	<u>845,000</u>
Certificates of Participation 2004, 3.158% - 5.339%, matures 2023	1,835,000	-	105,000	1,730,000	110,000
Compensated absences	3,819,501	716,599	848,728	3,687,372	507,834
	<u>\$ 20,225,885</u>	<u>\$ 816,962</u>	<u>\$ 1,753,728</u>	<u>\$ 19,289,119</u>	<u>\$ 1,462,834</u>

Certificates of Participation – In 2004, the District entered into a ground lease to secure the necessary funding for anticipated cost overruns of the middle school project. The lease is an annual lease subject to renewal for 25 years through December 1, 2023.

The Leasing Corporation entered into an agreement with a trustee through which it assigned and transferred rights and interest under the lease to Huntington National Bank, as trustee. Legal title to the facility remains with Huntington National Bank until all payments required under the lease have been made. At that time, title will transfer to the District. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semi-annual lease payments. Proceeds from the issuance are being used to cover the anticipated cost overruns of the middle school project.

The obligation of the District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. The annual principal and interest requirements will be provided from the General Fund. The Certificates of Participation are not a general obligation of the District but are payable only from appropriations by the District for annual lease payments. Principal and interest requirements to retire the Certificates of Participation are as follows:

The amount of bonds issued in 2006 was \$ 14,734,984. The general obligation bonds included serial, term and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2012 was \$ 13,871,747. The accreted interest of \$ 426,763 has been included in the Statement of Net Assets at June 30, 2012. This year the addition of these bonds was \$ 100,363 which represents the increase in accretion of interest. The final amount of these bonds will be \$ 1,755,000 payable through December 2014.

The District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments. On the old bonds, accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2012, \$ 14,055,000 of bonds outstanding are considered defeased.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS (continued)**

Principal and interest requirements to retire bonds outstanding at June 30, 2012, were as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 845,000	\$ 521,243	\$ 1,366,243
2014	375,161	504,343	879,504
2015	329,823	504,343	834,166
2016	880,000	486,743	1,366,743
2017	910,000	450,943	1,360,943
2018-2022	5,150,000	1,653,731	6,803,731
2023-2026	4,955,000	457,987	5,412,987
	<u>\$ 13,444,984</u>	<u>\$ 4,579,333</u>	<u>\$ 18,024,317</u>

Bonds payable will be repaid from the Debt Service Fund. Compensated absences will be paid from either the General Fund, Food Service Fund or Daycare Center Special Rotary Fund.

**NOTE 13 - SET-ASIDES**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital maintenance. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for capital maintenance during fiscal year 2012.

	Capital Maintenance
Balance, July 1, 2011	\$ -
Required set aside	434,326
Qualifying expenditures	(1,005,644)
Balance June 30, 2012	<u>\$ (571,318)</u>
Carry forward at June 30, 2012	<u>\$ -</u>

Expenditures and offset credits for capital maintenance during the year were \$ 1,005,644, which exceeded the required set-aside.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent.

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2012, the District paid \$ 55,386 to LEECA. Effective July 1, 2012, the Lake Erie Educational Computer Association and Lakeshore Northeast Ohio Computer Association merged to form the North Coast Council and continues to provide similar services to the District.

B. SUBURBAN HEALTH CONSORTIUM

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operated as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium.

The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members. Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation. The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (North Royalton School District).

The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)**

**B. SUBURBAN HEALTH CONSORTIUM (continued)**

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal, a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from Richard McIntosh, Treasurer of North Royalton City School District (the fiscal agent) at 6579 Royalton Road, North Royalton, Ohio 44133.

**C. BAY VILLAGE EDUCATION FOUNDATION**

The Bay Village Education Foundation (Foundation) is a jointly governed organization established by the Ohio Revised Code to support, promote and fund creative programs designed by students and staff of the District which enhance excitement and enthusiasm for learning. Foundation monies provide programs that are not paid for with tax dollars. Gifts, donations and contributions of cash, securities or other property from any source may be made to and accepted by the Foundation to enable the Foundation to carry out its purpose. The Board of Trustees consists of at least nine (9) and not more than eighteen (18) Trustees.

**D. OHIO SCHOOLS COUNCIL**

The Ohio Schools' Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Associations. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011 the School District paid \$ 68,060 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Bay Village City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 15 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT

On August 13, 2001, the District entered into an agreement for constructing, equipping and furnishing a Community Gymnasium and a development and use agreement with the City of Bay Village (the City) for the Community Gymnasium (the Gym). Both agreements were amended on February 25, 2002. The initial term of the agreement commenced on the first date the Gym opened for public use and will end thirty years thereafter.

The agreements include termination provisions which allow either the District or the City to seek 100 percent usage upon request at least two years prior to the expiration of the initial term. Termination provisions require repayment of the initial contribution plus a percent of the cost of major additions.

Under the terms of the contribution agreement, the District will contribute one third of the cost of the Gym project which includes costs of constructing, equipping and furnishing the Gym, the cost of constructing, equipping and furnishing related joint use areas and the costs of related design and other professional services. The City's contribution amount shall not exceed \$ 1,143,280. In 2002, the City issued \$ 1,100,000 in general obligation bonds to meet its obligation. The Gym and joint use areas shall be owned by the District.

The development and use agreement includes provisions for capital improvement funding. Under these provisions, both the District and the City are required to establish and maintain a community gym fund. For the first year of operation the District and the City contributed \$ 3,000 and \$ 6,000 respectively. These amounts increase three-percent annually and will be used for capital improvements and contracted maintenance as jointly decided.

The District is responsible for fire and liability insurance. The City is responsible for maintaining liability insurance for activities in the Gym under the City's supervision. The District and the City also have additional annual obligations for housekeeping, custodial equipment, supplies and utility costs.

NOTE 16 - INTERFUND TRANSFERS

During the year ended June 30, 2012, the General Fund transferred \$ 3,581 to the Community Gym Fund to subsidize improvements and expenditures, \$ 56,960 to the Building Fund to pay principal and interest on the manuscript debt, and the IDEA fund transferred \$ 30,014 to the General Fund for repayment of expenditures.

NOTE 17 – DEFICIT FUND BALANCE

On June 30, 2012, the Education Jobs Fund had a deficit fund balance of \$ 12,529, the Title I Fund had a deficit balance of \$ 11,753, the Fiscal Stabilization Fund had a deficit balance of \$ 82,127, the IDEA Fund had a deficit fund balance of \$ 2,572 and the Building and Renovation Fund had a deficit balance of \$ 108,856. The General Fund is liable for deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 – CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

NOTE 19 – CONSTRUCTION COMMITMENTS

At June 30, 2012, the District had contractual commitments for renovations as follows:

	Contracted Amount	Expended	Remaining Liability
HS athletics fields	\$ 185,924	\$ 105,900	\$ 80,024
Modular units for Normandy	273,070	-	273,070
Glenview fire alarm system	24,600	-	24,600
District roofing projects	95,542	-	95,542
HS HVAC system	270,564	60,888	209,676
	<u>\$ 849,700</u>	<u>\$ 166,788</u>	<u>\$ 682,912</u>

NOTE 20 – SUBSEQUENT EVENTS

In November 2012, the District passed a capital improvement bond levy in the amount of \$ 16.8 million to be used for improvements and renovations throughout the District.

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BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor Pass Through Grantor Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	2012	10.555	\$ 108,510	\$ 33,647	\$ 108,510	\$ 33,647
Total Child Nutrition Cluster			<u>108,510</u>	<u>33,647</u>	<u>108,510</u>	<u>33,647</u>
<b>Total U.S. Department of Agriculture</b>			<u>108,510</u>	<u>33,647</u>	<u>108,510</u>	<u>33,647</u>
<b>U.S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States	2011	84.027	30,013	-	529,288	-
Special Education-Grants to States	2012	84.027	534,924	-	42,743	-
ARRA Special Education-Grants to States	2011	84.391	0	-	1,714	-
			<u>564,937</u>	<u>-</u>	<u>573,745</u>	<u>-</u>
Special Ed - Preschool	2012	84.173	16,216	-	16,216	-
Total Special Education Cluster			<u>581,153</u>	<u>-</u>	<u>589,961</u>	<u>-</u>
Title I Grants to Local Educational Agencies	2012	84.010	75,563	-	71,050	-
Total Title I Grants to Local Educational Agencies			<u>75,563</u>	<u>-</u>	<u>71,050</u>	<u>-</u>
English Language Acquisition Grants	2011	84.365	-	-	535	-
English Language Acquisition Grants	2012	84.365	3,299	-	1,521	-
Total English Language Acquisition Grants			<u>3,299</u>	<u>-</u>	<u>2,056</u>	<u>-</u>
Title IID Education Technology State Grants	2012	84.318	543	-	543	-
Total Title IID Education Technology State Grants			<u>543</u>	<u>-</u>	<u>543</u>	<u>-</u>
Improving Teacher Quality State Grants	2011	84.367	5,237	-	6,469	-
Improving Teacher Quality State Grants	2012	84.367	50,504	-	49,284	-
Total Improving Teacher Quality State Grants			<u>55,741</u>	<u>-</u>	<u>55,753</u>	<u>-</u>
ARRA State Fiscal Stabilization Funding	2011	84.394	-	-	127,516	-
Education Jobs Grant	2012	84.410	144,303	-	138,143	-
<b>Total U.S. Department of Education</b>			<u>860,602</u>	<u>-</u>	<u>985,022</u>	<u>-</u>
<b>Total Federal Assistance</b>			<u>\$ 969,112</u>	<u>\$ 33,647</u>	<u>\$ 1,093,532</u>	<u>\$ 33,647</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures reports the Bay Village City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Bay Village City School District  
Cuyahoga County  
377 Dover Center Road  
Bay Village, Ohio 44140

To the Board of Education:

### Compliance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay Village City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Bay Village City School District  
Cuyahoga County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2012-01.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

February 25, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Bay Village City School District  
Cuyahoga County  
377 Dover Center Road  
Bay Village, Ohio 44140

To the Board of Education:

### Compliance

We have audited the compliance of the Bay Village City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Bay Village City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in findings 2012-02 through 2012-03 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding cash management and period of availability applicable to its State Fiscal Stabilization Fund. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this.

In our opinion, except for the noncompliance described in the preceding paragraph, the Bay Village City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each its major federal programs for the year ended June 30, 2012.

Bay Village City School District  
Independent Accountants' Report on Compliance With  
Requirements Applicable to Each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

**Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-02 and 2012-03 to be material weaknesses.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 25, 2013

**BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	UNQUALIFIED
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	NO
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	NO
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	YES
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	YES
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	NO
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	UNQUALIFIED – Special Ed. Cluster  QUALIFIED – Cash Management and Period of Availability – State Fiscal Stabilization Fund
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	YES
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster:  Special Education Grants to States (CFDA# 84.027), ARRA Special Education Grants to States (CFDA# 84.391), and Special Education Preschool Grants (CFDA# 84.173)  State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund) (CFDA# 84.394)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	YES

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2012-01**

**Material Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of expenditures, we noted 11 out 27 checks reviewed were not encumbered prior to the purchase commitment. Of these 27 checks reviewed which were comprised of 105 separate invoices, 54 of them were not encumbered prior to the purchase commitment, which totaled \$97,819.68 of \$198,603.10 dollars spent. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
(Continued)

FINDING NUMBER 2012-01 (Continued)

**Material Noncompliance (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

***Official's Response:***

The Treasurer understands that proper encumbering is necessary to ensure adequate controls over the District's finances. The Treasurer's Office continues to work with the building administrative staff and the athletic department to ensure that requisitions and purchase orders are created before supplies and services are incurred. Sometimes purchases were made improperly and the purchase order was created after the purchase was made. These purchases did not exceed the budgeted amounts and never cause a negative appropriation. The Treasurer will continue to work with the administrative staff to correct this issue and will use "then and now" certificates when necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**Cash Management – Noncompliance and Material Weakness**

<b>Finding Number</b>	2012-02
<b>CFDA Title and Number</b>	84.394
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**  
**(Continued)**

**Cash Management – Noncompliance and Material Weakness (Continued)**

34 CFR 80.21 (b) states in part, "Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205." According to Cash Management rules established by the Ohio Department of Education (ODE), schools must spend advances within 30 days or by the end of the month, whichever occurs first. The District received the State Fiscal Stabilization Fund (SFSF) grant in the prior fiscal year 2011 which was passed through ODE. These SFSF funds were advanced to the District through the State Foundation automatically on a bi-monthly basis. SFSF funds were required to be deposited in USAS Fund 532 and the District was required to adopt an internal control system to ensure SFSF payments were spent timely.

In addition, procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. – 34 CFR 80.20 (b)(7) which states in part: "When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements." Interest should not be earned on these funds. If interest is earned on the funds, the interest earned must be remitted to the US Department of Education via a check sent to ODE. ODE will review the calculation and determine if the amount remitted is correct. An amount of \$100 per entity per year may be retained under 34 CFR 80.21 for administrative expenses.

SFSF program funds were advanced to LEA's through the foundation program as indicated in the ODE PAthway to Student Success (PASS) form, a new form in FY 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to LEA's on a bi-monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. SFSF funds are required to be deposited into USAS Fund 532. District's must have an internal control system in place for ensure advance SFSF payments are spent timely (i.e., within 30 days). The Ohio Department of Education subsequently stated local educational agencies must have formal control systems in place to ensure advance SFSF payments are spent timely (i.e. within 30-days or by the end of the month in which the monies were received, whichever occurs first). The Ohio Department of Education sent further guidance allowing Districts to spend the last payment received in June 2011 by July 31, 2011.

The District received State Fiscal Stabilization (SFSF) Moneys in the form of cash advances from the Federal Government which were passed through the Ohio Department of Education on its Foundation Payments in Fiscal Year 2011. The final payment was received on June 17, 2011. Consequently, of the \$127,516 received, \$92,469 of the District's expenditures which were expended in August, September, and October 2011 were not timely.

The District should review its internal control system to ensure that SFSF funds are spent within 30 days or by the end of the month, whichever occurs first, to ensure compliance with 34 CFR 80.21 (b) and the Cash Management rules established by the Ohio Department of Education.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS  
(Continued)

**Cash Management – Noncompliance and Material Weakness (Continued)**

**Official's Response:**

The District understands that federal funds need to be spent in a timely fashion. The CCIP program allows the District to request 10% of the allotted funds and cannot requested additional funds when a positive balance exists. As Treasurer, it was my understanding that the SFSF funds were to be used in a similar fashion as the foundation payments. The SFSF was never requested on a monthly basis. The District used these funds to pay salaries and retirement benefits for certain administrative staff members with the last payment being made on October 5, 2011.

**Period of Availability – Noncompliance, Material Weakness and Questioned Costs**

Finding Number	2012-03
CFDA Title and Number	84.394
Federal Award Number / Year	2012
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

**Questioned Cost \$15,686**

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §\_\_\_\_.23; OMB Circular A-110 (2 CFR section 215.28)).

Non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request (A-102 Common Rule, §\_\_\_\_.23; OMB Circular A-110 (2 CFR section 215.71)).

During our examination of Federal expenditures made from the grant receipts, we noted that the District continued to spend grant monies through October 5, 2011, resulting in a total of \$15,686 in expenditures for the month of October. These monies were liquidated beyond the statutory 90-days allowed in the period of availability, or September 30, 2011.

Failing to liquidate expenditures within the period of availability could result in the awarding agency requiring repayment of monies the District spent after the 90-day rule, or September 30, 2011.

We recommend the District ensure all monies are liquidated within the period of availability.

BAY VILLAGE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**  
**(Continued)**

**Period of Availability – Noncompliance, Material Weakness and Questioned Costs (Continued)**

***Official's Response:***

The monies spent in October 2011 were the final monies from the SFSF fund. Receiving the funds thought the State foundation program, the District did not consider these funds as a cash advance and was under the understanding that they could be spent the same as State Foundation.



# Dave Yost • Auditor of State

BAY VILLAGE CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

#### CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MARCH 12, 2013